

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 SAM-01

OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01

NSCE-00 SSO-00 USIE-00 INRE-00 /107 W  
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O R 310700Z JUL 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 5936

AMEMBASSY TOKYO IMMEDIATE

INFO AMEMBASSY LONDON

C O N F I D E N T I A L JAKARTA 10032

EO 11652: GDS

TAGS: ENRG ID

SUBJECT: LNG TRANSPORTATION - PRODUCTION SHARING NEGOTIATIONS

REF: (A) STATE 189707, (B) JAKARTA 9941 (NOTAL)

1. EMBOFF MANAGED TO SEE GOZALI, SECRETARY TO PERTAMINA BOARD OF COMMISSIONERS, EARLY AFTERNOON JULY 31 FOR BRIEF DISCUSSION ON CURRENT STATUS LNG AND PRODUCTION SHARING NEGOTIATIONS. GOZALI SAID GEN. HARYONO HAD BEEN IN CONTACT WITH WIJARSO EARLIER THAT MORNING. ACCORDING TO GOZALI, NO RPT NO DECISIONS ON LNG TANKERS HAD BEEN MADE; HE INDICATED AVAILABILITY OF FINANCING WAS KEY STICKING POINT. INDONESIANS WERE APPARENTLY NOT SATISFIED THAT JAPANESE OFFER OF VESSELS CONTAINED IRONCLAD GUARANTEE FOR REQUIRED FINANCING. GOZALI IMPLIED THAT SOME DOUBTS REMAINED REGARDING GENERAL DYNAMICS EQUITY PARTICIPATION.

2. ACCORDING TO GOZALI, GEN. HARYONO HAS INSTRUCTED WIJARSO TO LEAVE NEW YORK SUNDAY, AUGUST 1. GOZALI SAID PARTIES WOULD NOW  
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"SUSPEND" NEGOTIATIONS AND "RECONSIDER" ALL OPTIONS. HE INDICATED

THAT DID NOT MEAN EXISTING PERTAMINA-BT-GD CONTRACT HAD BEEN BROKEN. GOZALI EXPLAINED INDONESIANS AND JAPANESE WOULD RESTUDY FINANCIAL PACKAGES TO DETERMINE WHERE BEST OFFER COULD BE FOUND. HE REFUSED TO SPECULATE ON POSSIBLE DEVELOPMENTS. EMBOFF REITERATED USG INTEREST IN THIS MATTER AND URGED THAT INDONESIANS MAINTAIN FLEXIBLE POSITION. (COMMENT: EMBOFF AT JAPANESE EMBASSY HERE COMMENTED SOMEWHAT CRYPTICALLY EVENING OF JULY 30 THAT NEGOTIATIONS WILL NOW BE "SHIFTED" FROM NEW YORK TO JAKARTA. HE DID NOT ELABORATE. END COMMENT).

3. ON NEGOTIATIONS WITH PRODUCTION SHARING OIL COMPANIES, GOZALI REPORTED GOI HAD REACHED AGREEMENT WITH THREE: UNION, IIAPCO, AND ARCO. GOZALI WAS ASKED IF JULY 31 DEADLINE WOULD SLIP FOR THOSE COMPANIES WHICH HAD NOT YET REACHED AGREEMENT. HE REPLIED NEGATIVELY AND INDICATED THERE WOULD NOT BE ANY FURTHER NEGOTIATIONS NEXT WEEK; TERMS FOR THOSE COMPANIES WOULD BE "IMPOSED" BY GOVERNMENT, HE SAID. (COMMENT: LATTER REMARK WAS MADE AS GOZALI WAS ABOUT TO ENTER GEN. HARYONO'S OFFICE FOR SIGNING OF AGREEMENT WITH ARCO. IT IS NOT CLEAR IF HE MEANT TERMS WOULD BE IMPOSED ON REMAINING THREE MAJOR PRODUCERS ONLY -- PETROMER TREND, TOTAL AND JAPEX -- OR IF THIS STATEMENT APPLIED TO ALL SMALLER PRODUCERS AS WELL, SUCH AS ASAMERA, CITIES SERVICE, HUFFCO, ASSOCIATED AUSTRALIA RESOURCES, ETC. NEWSOM

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